

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Independent Telephone Association)	
)	
)	Docket No. 00-0233
Petition for initiation of an investigation of the necessity of and the establishment of a Universal Service Support Fund in accordance with Section 13-301(d) of the Public Utilities Act)	
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)	
Illinois Commerce Commission)	
On its Own Motion)	
)	Docket No. 00-0335
Investigation into the necessity of and, if appropriate, the establishment of a Universal Support Fund pursuant to Section 13-301(d) of the Public Utilities Act)	
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Reply Brief on Exceptions of Ameritech Illinois

Ameritech Illinois, by one of its attorneys, submits this Reply Brief on Exceptions in response to the Briefs on Exceptions submitted by the other parties in this proceeding.

I. The Commission Should Not Adopt the Proposed Order's Recommendation that Existing Rates Be Deemed to be the "Affordable Rates."

Several of the parties took exception to the Proposed Order's finding (p. 27) that existing rates would be deemed to be the "affordable rates." See Staff Br., pp. 3-10; AT&T Br., pp. 8-10; MCI WorldCom/Sprint Jt. Br., pp. 2-5; Verizon Br., pp. 7-11. The parties' arguments demonstrate that the Commission should not as a matter of law and policy adopt the Proposed Order on this point.

Most parties agreed that the Commission has broad authority under Section 13-301(d) to establish affordable rates above current rate levels. See e.g. Staff Br., pp. 3-4 ("... the General Assembly clearly invited the Commission to set an affordable rate higher than rates in effect

when the USF was set up.”); Verizon Br., p. 7 (“...the General Assembly has given the Commission the discretion to determine the appropriate affordable rate for the IITA member companies”).

Given its authority to establish affordable rate levels, the Commission should do so in this proceeding. The Briefs on Exceptions demonstrate strong policy reasons for establishing affordable rates. The most frequently cited example is that of Kinsman whose end users pay only \$4.00 per month for basic local service. Several parties also commented that Verizon’s rural end user customers are similarly situated to many of these small companies, including Kinsman, but they are paying more than \$20.00 per month. Verizon Br., pp. 8-9; MCI WorldCom/Sprint Br., p. 3; Staff Br., p. 5. In essence, Verizon’s rural customers would pay their own \$22.23 end user rates, but would then be asked to subsidize the end user customers of other rural carriers. In addition, adopting a uniform affordable rate addresses the issue of the difference in rates of the potentially funded carriers. See e.g. AT&T Br., p. 8.

The affordable rates proposed by the parties advocating a rate level other than existing rates were all over \$20.00 (i.e., Verizon Br. p. 10, \$22.23 or, in the alternative, at the \$20.39 level calculated by the IITA; Staff Br., p. 10, \$24.00 for residence and \$27.00 for business; AT&T Br., p. 9, concurred with Staff’s proposal, but would include residential lines only; MCI WorldCom/Sprint Br., p. 4, \$23.70).

As a matter of public policy, the Commission should modify the Proposed Order to adopt an affordable rate other than existing rates. Ameritech Illinois supports Staff’s proposed affordable rates, but would shorten the phase-in period. Ameritech Illinois’ proposed language is set forth in its exceptions.

II. The Commission Has a Sufficient Record and Should Find That There Will Be No True-up.

The Proposed Order found that the issue of the true-up would be determined in the next phase of these proceedings. Proposed Order, p. 49. MCI WorldCom/Sprint and AT&T addressed the issue of the true-ups in their Briefs on Exceptions and took the position that there is no need for further testimony or hearings to determine the true-up issue. MCI WorldCom/Sprint Jt. Br., pp. 5-6; AT&T Br., pp. 11-12.

Ameritech Illinois agrees that there is a sufficient record for the Commission to address the issue of whether there should be a true-up, but disagrees with AT&T's conclusion (pp. 12-13) that there should be a true-up. AT&T would have the Commission believe that if the Commission adopts a Section 13-301(d) fund to be funded by intrastate retail revenues, then the "Stipulated Agreements and the Commission Orders" require a true-up. AT&T Br., pp. 12-13. Ameritech Illinois does not agree with AT&T. The Commission's determination in its Interim Order dated November 21, 2000 in Phase I that the High Cost and DEM Weighting funds are access charge replacement funds supports the result that there should not be a true-up. Moreover, the Commission's finding in Phase I that these access charge replacement funds did not meet the criteria of Section 13-301(d) sets any potential new fund created in Phase II apart from the earlier access charge replacement funds. Ameritech Illinois incorporates by reference the sections in its Initial (pp. 14-18) and Reply (pp. 16-19) briefs that address this issue of why there should be not true-up.

Accordingly, the Commission should include in the Order the following language:

Finally, we decline to require a true-up. In our First Interim Order, we stated that the High Cost and DEM Weighting Funds had been established to replace access revenues that were eliminated due to the FCC's rate restructuring. We believe that it was appropriate to base that funding on a toll carrier's proportionate share of each toll carrier's total intrastate minutes of use, because these carriers benefited from the reduction in access charges. Under our First Interim Order, the Section 13-301(d) fund, however, is being established under specific statutory criteria as a universal service fund. Based on our review of the evidence in Phase II, and the earlier stipulations, we find the "Permanent Funding Methodology" to be that upon which the DEM Weighting Fund was based – a toll carrier's proportionate share of total intrastate minutes of use. Accordingly, we will not order a true-up.

However, if the Commission determines to finalize the true-up issue in the next phase of this proceeding, Ameritech Illinois does not object.

III. If the Commission Adopts Language Regarding the Termination of the High Cost Fund and DEM Weighting Funds, It Should Adopt Verizon's Proposed Language

The proposed Order is silent on the termination of the High Cost and DEM Weighting Funds. Verizon proposes as a housekeeping matter the following language:

IT IS FURTHER ORDERED that the DEM Weighting Fund and the Illinois High Cost Fund be terminated, effective October 1, 2001. The administrator of these funds is directed to take appropriate action [to] close these funds and refund the amount of any over-collections to the appropriate funding carriers.

Verizon Br., p. 17.

MCI WorldCom/Sprint propose alternative language stating that the Section 13-301(d) "shall supplant the existing DEM Weighting Fund and High Cost Fund, and shall, remain in effect until dissolved by order of the Commission." MCI WorldCom/Sprint Jt. Br., pp. 6-7.

If the Commission adds language regarding the elimination of the High Cost and DEM Weighting Funds, it should adopt Verizon's proposed language, not MCI WorldCom/Sprint's for

several reasons. First, the fund is new in that it is created under the criteria of Section 13-301(d). Thus, it does not “supplant” the High Cost and DEM Weighting Funds. Those funds will be “terminated.” Second, MCI’s language would appear to continue the Section 13-301(d) fund in perpetuity, rather than allowing for downward adjustments, re-examination of the fund, etc. See Ameritech Illinois Br., p. 6; Verizon Br., pp. 16-17. Finally, Verizon’s proposed language addresses how the fund administrator should close the High Cost and DEM Weighting Funds, which is properly addressed.

Respectfully submitted,
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